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SUBJECT: GHANA:ECONOMIC HIGHLIGHTS OCTOBER 1-NOVEMBER 5, 2004

1. This report covers noteworthy economic events and activities in Ghana for the period October 1 - November 5, 2004. The issues covered are:

- S and P's Maintains Ghana's B Plus Rating
- Ghana's Corruption Score Improves
- FDI Numbers Also Better
- New Legislation to Spur Economy
- Gold Bringing in More Green for Ghana

S and P's Maintains Ghana's B Plus Rating

2. Standard and Poor's announced on October 23 that it was reaffirming its B plus long-term and B short term foreign and local currency sovereign credit ratings for Ghana. The outlook continues to be stable. In September 2003, Ghana was the first African country to be rated by Standard and Poor's under the UNDP's sovereign credit rating program. (Note: During late-September meetings with DCM and EconChief, Standard and Poor's representatives expressed some concerns about Ghana's fiscal reform program, which has slipped somewhat during the 2004 election year. However, this was compensated by HIPC Completion Point in July 2004, which will bring Ghana roughly USD 3.5 billion in debt relief from Paris Club members and the international financial institutions. Post also met with Fitch Rating Agency representatives in late September. Fitch has not yet announced the results of its first year review of its 2003 "B" rating (with "positive outlook") for Ghana, although Fitch reps advised EconChief that they would likely maintain the current rating. End Note)

Ghana's Corruption Score Improves

3. Transparency International's (TI) 2004 Corruption Perception Index Report, published in October 2004, has Ghana improving slightly from last year. The 146 countries are ranked on a scale of 1 to 10, with scores below 3 indicating rampant corruption. Ghana scored a 3.6 this year, against a 3.3 last year, and ranks 64th among the 146 surveyed, up from its 73 ranking in the 2003 TI report. Ghana is the 7th least corrupt among the 26 African countries included in the survey.

FDI Numbers Also Better

4. Ghana recorded USD 88.6 million in foreign direct investment last year, an improvement over the USD 65.37 million in 2002, according to the UNCTAD's World Investment Report. The increase has been attributed to an improved investment climate and renewed confidence in the Ghanaian economy. Specifically, the service sector recorded 58 projects worth USD 73.24 million and the manufacturing sector registered 42 investments worth USD 21.94 million. The Deputy Chief Executive of the Ghana Investment Promotion Center (GIPC) noted that Ghana had not reached its potential for attracting FDI or domestic investment. She also noted that the Ministry of Trade and Industry had initiated a Technology Improvement Program to facilitate transfer of new technologies to private sector operations to increase their production capacity and competitiveness.

New Legislation to Spur Economy

5. At the end of October, Parliament passed the Long-Term Savings Scheme Bill, intended to be a framework for the development of a retirement oriented long term savings plan and to provide a vehicle for employees and employers to cooperate in establishing supplementary pension funds. Supporters hope that the scheme will not only mobilize savings but also generate funds as a source of long-term investment capital for the economy. Parliament also passed the Venture Capital Trust Fund bill on November 3. The scheme calls for 87 billion cedis to be used as seed money to spur medium and small-scale enterprises (MSE), which make up approximately 93 of all businesses in Ghana. MSEs traditionally grapple with high interest rates that make increased investment unattractive. A portion of the national reconstruction Levy will fund the Trust Fund.

Gold Bringing in More Green for Ghana

6. President Kufuor announced in early November that he expected Ghana to earn about USD 929 million from gold production this year, up from USD 750 million in 2003. He

forecasted USD 1 billion in gold earning for 2005, saying the mining sector was poised to make significant contributions to Ghana's Golden Age of Business. He further noted that the GoG wanted to broaden the mining base to include limestone, manganese, silica sand, natural gas, clay deposits, iron ore and bauxite, and the intention to add value to minerals was part of the GoG reasoning behind their purchase of VALCO (see septel on VALCO deal). The GoG has received several large dividend payments recently from gold companies resident in Ghana, including approximately USD 2.5 million dividend payment from AngloGold-Ashanti and approximately USD 3.5 million from GoldFields.

YATES